

Appl. No.: 09/726,793
Amdt. dated 12/21/2005
Reply to Office action of September 22, 2005

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REMARKS/ARGUMENTS

The remarks below are in response to the Office Action mailed on September 22, 2005. In the Office Action, Claims 1-14 are rejected under 35 U.S.C. §112, first and second paragraphs, 35 U.S.C. §101 and 35 U.S.C. §103(a). The rejection under §103(a) was over U.S. Patent No. 6,338,047 to Wallman ("Wallman").

Request for Telephone Interview

Applicants' counsel has unsuccessfully attempted to obtain an interview several times after the Office Action due to transfer of the pending transfer of the present application file to a new Examiner. Applicants' counsel again hereby requests a telephone interview after the Examiner has had an opportunity to review the remarks provided below. Such an interview would be brief and would focus only on the current rejections and cited references. Applicants' counsel, Greg Carlin, can be reached at 704-444-1414

35 U.S.C. §112

Claim 1 of the present application recites 1) a securities holding account and 2) a securities engine which calculates and tracks whole and fractional securities shares selected by each of a plurality of individual investors and held in the securities holding account, wherein the securities shares owned by each of the individual investors include only those securities selected by the individual investor.

In the Office Action at page 2, it was alleged that "there is no provision in the specifications [sic] as to how any one investor is able to purchase a fractional share for his own portion of the account since there would have to be a seller for that fractional interest and shares are only sold in the market in whole shares, unless there was an orchestrated joint purchase/sale by the fund manager as to both amount and time involving other investors within the 'fund' who were seeking the same complimentary fractional security at exactly the same time, or an

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investment by the fund manager in any extra fractional share required to be made in order to accommodate any one investor. Neither of these instances are described by the specification."

The Applicant respectfully disagrees. Claim 1 recites a securities holding account that holds whole and fractional securities shares selected by each of a plurality of individual investors. As an example of a securities holding account, an omnibus account 224 is illustrated in Figure 2 of the present application and is described by the present application. "Each share stored in the Omnibus Account 224 has a corresponding set of one or more 'owners', and maintenance of ownership records may be one responsibility of Sub-Account Interface 221." See, the present application at page 11, lines 12-14.

A Sub-Accounting Engine 170 described by the present application is an example of the securities engine recited in Claim 1. The Sub-Accounting Engine 170 maintains records to track securities ownership within the Omnibus Account 224, thus enabling the Sub-Account Interface 221 to report on ownership. "Sub-Accounting Engine may be used to maintain securities records within each account, such as, but not limited to, whole and partial securities ownership. . ." See, the present application, page 8, lines 14 and 15. Thus, although a single account (the holding account or omnibus account) may hold securities with several owners, the Sub-Accounting Engine tracks this ownership allowing use of the single account.

Thus, with the help of the securities engine, the securities holding account may act as a depository for the "orchestrated joint purchase" that was alleged to be not possible in the Office Action. In addition, because the securities engine tracks fractional ownership, a single share within the securities holding account may be owned in fractions by more than one owner. This should reduce the cost of fractional share ownership by not requiring immediate distribution of fractional shares.

Independent Claim 4 of the present application recites a method that includes tracking the number of shares or the dollar amount of the given security while held in a securities holding account along with other securities, wherein the shares or the dollar amount owned by the user include only those securities selected by the user. Claim 4 thus encompasses the example described above, tracking ownership of user selected securities amongst other securities held in a securities holding account.

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Independent Claim 14 describes use of an omnibus account, a consolidation engine to consolidate orders for a security and an allocation engine that allocates the securities. The present application describes an exemplary consolidation engine. "Consolidation Engine 222 may also accumulate purchase, sale, and transfer requests . . . until an event occurs, such as accruing a minimum number of requests, a certain period of time elapsing, or reaching a specific date or time." See, the present application at page 12, lines 12-18. The Consolidation Engine 222 uses the formula shown on page 11 of the present application to determine the number of shares to purchase to meet the consolidated orders for dollar-amount purchase requests.

The present application also describes an exemplary allocation engine which determines how to allocate securities to investors. "Allocation Engine 223 may perform calculations based on [securities price] information, including, but not limited to, allocating whole and fractional [securities] to individual purchasers..." See, the present application at page 13, lines 14-17. For example, the same formula as on page 11 may also be used to determine how many shares should be allocated to the purchasers based on the dollar amount of their orders and a cost per share.

In Claim 14, fractional shares left over after distribution are retained in the omnibus account which, as noted above, is capable of holding fractional shares. These fractional shares are owned by a market maker (e.g., the system operator), and not an individual investor, and can be used to satisfy fractional orders or portions of orders when the fractional share in the omnibus account is large enough. "Consolidation Engine 222 may execute securities sales or purchases which can be accommodated through securities held in Omnibus Account 224, but which are not assigned to an individual investor." See, page 12, lines 5-7.

As noted above, the present application provides support for how Claims 1, 4 and 14 enable an investor to purchase fractional shares, as enabled by an omnibus or securities account, without having to match investors who are seeking exactly the same complimentary fractional security at exactly the same time. Applicant, therefore, submits that the rejections under 35 U.S.C. §112 have been overcome.

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35 U.S.C. §101

It was alleged that the invention recited in Claims 1-14 lacks utility because the application is silent on the subject of fees to be charged for the fractional transactions and there is question as to how cost effective or economically feasible the transactions would be even if enabled. Applicant is not aware of any requirement that an invention be cost-effective to have utility. The present invention achieves a concrete and tangible result by providing for the purchase, holding and distribution of whole-dollar amounts and fractional shares of securities. Use of the omnibus account or securities holding account reduces administrative fees and provides a repository for unallocated fractional shares. Thus, fractional share transactions can be satisfied at times without returning to the market for another transaction.

35 U.S.C. §103

Wallman discloses a system for forming a fund that reflects the investment choices of a plurality of investors. The system includes a plurality of users 110 connected through a telecommunications interface 120 (e.g., the Internet) to a system integrator and calculator 130, as shown in Figure 1 of Wallman. The integrator and calculator is connected to a fund 140 for holding securities and is associated with a market 170, such as a stock exchange, for making securities purchases thereon. Cash and securities 160 can be deposited in the fund by the users via a connection 150, such as the mail or an electronic funds transfer.

The fund of Wallman reflects the investment choices of the plurality of investors by allowing each investor, at the time of contribution, to select which securities to add to the fund. Each investor can contribute either securities or cash. If securities are contributed they are added to the fund and their value is calculated at the time of the contribution, as described at column 6, lines 23-25 of Wallman. If cash is contributed, the investor designates which securities the cash would be used to purchase, as described at column 6, lines 28-32.

Wallman's system allocates a pro-rata share in the fund based on the value of the contribution and the overall value of the fund, as described at column 6, lines 62-67 and column 7 lines 1-6 of Wallman:

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The pro rata ownership interest of an investor making his first contribution to the fund is calculated by summing the total fair market value of the fund at the time of the contribution by the investor with the amount of the investor's contribution, and then dividing that sum into the amount of the investor's contribution.

As an example, if a fund currently has a total fair market value of \$990,000, then an investor who contributed \$10,000, whether in cash or in stocks, would receive a 1% interest in the fund.

$$\$10,000/(\$990,000+\$10,000)=1\%$$

Notably, each pro rata interest is a percentage of each of the securities in the fund, not just those the participating user contributed or selected, as described at column 7, lines 36-44 of Wallman:

Over time, the fund would reflect the interests of the investors that invest in the fund.

That may mean that the fund is overly weighted in particular categories or stocks, it may mean that the entire fund is in one sector, or it may mean that the fund looks very much like the S&P 500 or some other index. The beauty is that it can consistently change as individual preferences change, and the preferences that the fund reflects are not those of professional money managers, but of the investing public participating in the fund.

Figure 2a of Wallman illustrates this system by showing each of investors 7, 8, 9 and 10 as investing varying amounts in different securities (Stocks A, G, H and I) into the existing fund. In Figure 2b of Wallman, each of the investors ends up owning their pro rata percentage of the fund, independent of the actual security they contributed, as shown by the removal of the security selection from each investor's box.

As an alternative, Wallman also discloses that each investor can have an individual account in which the securities are individually held and wherein the securities in the account reflect the aggregate investment choices of the group of investors, at column 4, lines 31-40. In this case, again, the individual ends up owning securities selected by others in order to match the "aggregate investment choices of the group of investors." Regardless, Wallman describes the resulting aggregation of "thousands or millions" of investor preferences as potentially outperforming passive indexes and professionally managed funds, at column 4, lines 1-5.

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Claim 1 of the present invention has been amended to describe the securities engine as calculating and tracking whole and fractional shares of the securities wherein each of the investors continues to own only the securities they selected. Wallman, in contrast, does not track and attach ownership to the security contributed by each of the individual investor, but instead calculates a pro rata interest in the composite group of securities owned collectively by all of the investors. Unlike Wallman, therefore, the present invention as described in Claim 1 attaches ownership of each individual investor to the securities selected by that particular investor even when in the fund, and not the securities selected by other investors.

In addition to not disclosing tracking ownership of the securities selected by each of the investors while in the fund, Wallman does not suggest that tracking ownership of the individual securities by the investors in the fund would be advantageous. In fact, Wallman teaches the opposite theory – that a pro rata investment in a composite of investment choices of other investors, as opposed to isolation of an investor's own selected security for investment, could result in a fund with superior performing characteristics.

As an example, a trader investing \$100 worth of ABC shares in Wallman's fund when it already has \$100 of EFG shares and another \$100 of XYZ shares (totaling a value of \$300), would get a 1/3 pro rata share of each of the fund's securities. In this example, the trader would own $\$33\frac{1}{3}$ of ABC, $\$33\frac{1}{3}$ of EFG and $\$33\frac{1}{3}$ of XYZ, thereby owning shares selected by other traders. In contrast, with the present invention as described in Claim 1, the trader investing \$100 worth of ABC shares would continue to own the \$100 worth of ABC shares (or the whole and fractional share equivalent) even while held in the fund and would not own any of the EFG and XYZ shares also held in the fund.

Claim 4 recites tracking the number of shares or dollar amount of the given security wherein each of the investors continues to own only the securities they selected. Claim 14 recites an allocation engine that is configured to allocate whole and fractional shares to each of the sub-accounts of the investors – i.e., each investor is allocated only securities they selected for purchase. Wallman therefore does not appear to teach or suggest Claims 4 or 14. None of the remaining references appears to overcome Wallman's failure to teach or suggest Claims 1, 4 or

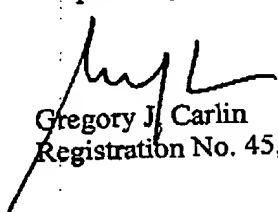
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14. The remaining Claims 2-3 and 5-13 depend from and further patentably distinguish Claims 1 and 4. The rejection of Claims 1-14 under 35 U.S.C. §103 has therefore been overcome.

In view of the remarks and amendments presented above, it is respectfully submitted that Claims 1-14 of the present application are in condition for allowance. It is respectfully requested that a Notice of Allowance be issued in due course. The Examiner is requested to contact Applicants' undersigned attorney to resolve any remaining issues in order to expedite examination of the present application.

It is not believed that extensions of time or fees for net addition of claims are required, beyond those that may otherwise be provided for in documents accompanying this paper. However, in the event that additional extensions of time are necessary to allow consideration of this paper, such extensions are hereby petitioned under 37 CFR § 1.136(a), and any fee required therefore (including fees for net addition of claims) is hereby authorized to be charged to Deposit Account No. 16-0605.

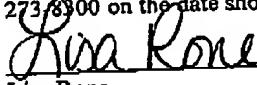
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